

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 95-001-E - ORDER NO. 95-781 ✓  
MARCH 28, 1995

IN RE: Adjustment of Base Rates for Fuel       ) ORDER APPROVING  
Costs of Carolina Power & Light       ) BASE RATES FOR  
Company.       ) FUEL COSTS

On March 15, 1995, the Public Service Commission of South Carolina ("the Commission") held a public hearing on the issue of the recovery of the costs of fuel used in electric generation by Carolina Power & Light Company ("CP&L" or "the Company") to provide service to its South Carolina retail electric customers. The procedure followed by the Commission is set forth in S.C. Code Ann., 58-27-865 (Law. Co-op., Supp. 1993). The review of this case is from October 1994 through March 1995.

At the public hearing, William F. Austin, Esquire, and Len S. Anthony, Esquire, represented CP&L; Elliott F. Elam, Jr., Esquire, represented the Intervenor, the Consumer Advocate for the State of South Carolina ("the Consumer Advocate"); and Florence P. Belser, Staff Counsel, represented the Commission Staff. The record before the Commission consists of the testimony of Larry L. Yarger, Michael J. Settlage, and Dr. John L. Harris on behalf of CP&L; the testimony of Jacqueline R. Cherry, Raymond C. Sharpe, III, and A.R. Watts on behalf of the Commission Staff; and five (5) hearing exhibits.

Based upon the evidence of the record, the Commission makes

the following findings of fact and conclusions of law:

**FINDINGS OF FACT**

1. The record of this proceeding indicates that for the period from July 1994 through December 1994 CP&L's total fuel costs for its electric operations amounted to \$216,723,802. Hearing Exhibit No. 4, Accounting Exhibit E.

2. Staff reviewed and compiled a percentage generation mix statistic sheet for CP&L's fossil, nuclear, and hydroelectric plants for July 1994 through December 1994. The fossil generation ranged from a high of 52.80% in July to a low of 36.41% in October. The nuclear generation ranged from a high of 61.96% in October to a low of 45.83% in July. The percentage of generation by hydro ranged from a high of 2.15% in August to a low of 1.37% in July. Hearing Exhibit No. 5, Electric Department Exhibit No. 3.

3. During the July 1994 through December 1994 period, coal suppliers delivered 4,047,963.21 tons of coal. The Commission Staff's audit of CP&L's actual fuel procurement activities demonstrated that the average monthly received cost of coal varied from \$41.44 per ton in November to \$44.12 per ton in December. Hearing Exhibit No. 4, Accounting Exhibit A.

4. According to CP&L's witness Michael J. Settlege, the performance of CP&L's nuclear units equals or exceeds that of comparable facilities as demonstrated thusly:

CP&L system actual capacity factors -

CP&L data for PWRs		
July 1994-December 1994	96%	0 units refueled

CP&L data for BWRs		
July 1994-December 1994	100%	0 units refueled

National average capacity factors -

NERC data for PWRs	
5 year 1989-1993	70.8%

NERC data for BWRs	
5 year 1989-1993	60.7%

5. Staff collected and reviewed certain generation statistics of major CP&L plants for the six months ending December 31, 1994. Hearing Exhibit No. 5, Electric Department Exhibit 4. The nuclear fueled Harris Plant was lowest at 0.44 cents per kilowatt-hour. The highest amount of generation was 5,545,122 megawatt-hours at the coal fueled Roxboro Plant.

6. The Commission Staff conducted an extensive review and audit of CP&L's fuel purchasing practices and procedures for the subject period. The Staff's accounting witness, Jacqueline R. Cherry, testified that CP&L's fuel costs were supported by the Company's books and records. Testimony of Cherry; Hearing Exhibit No. 4, Accounting Department Exhibits.

7. The Commission recognizes that the approval of the currently effective methodology for recognition of the Company's fuel costs requires the use of anticipated or projected costs of fuel. The Commission further recognizes the fact inherent in the utilization of a projected average fuel cost for the establishment of the fuel component in the Company's base rates that variations between the actual costs of fuel and projected costs of fuel would

occur during the period and would likely exist at the conclusion of the period. S.C. Code Ann. §58-27-865 (Law. Co-op., Supp. 1993), establishes a procedure whereby the difference between the base rate fuel charges and the actual fuel costs would be accounted for by booking through deferred fuel expenses with a corresponding debit or credit.

8. The record of this proceeding indicates that the comparison of CP&L's fuel revenues and expenses for the period July 1994 through December 1994 produces an over-recovery of \$4,194,767. (This cumulative over-recovery amount also reflects a fuel cost reduction adjustment of \$2,200,000 per Commission Order No. 94-940, dated September 15, 1994.) Staff added the projected under-recovery of \$349,305 for the month of January 1995, the projected over-recovery of \$817,528 for the month of February 1995, and the projected over-recovery of \$1,119,098 for the month of March 1995 to arrive at a cumulative over-recovery of \$5,782,088 as of March 1995. Testimony of Cherry, pp. 8-9.

9. CP&L's projected average fuel expense for the period of April 1995 through September 1995 is 1.337 cents per kilowatt-hour. This projected fuel expense includes an adjustment for the projected over-recovery at March 1995. Harris Testimony, p. 4.

10. Company witness Harris proposed that the fuel factor be set at 1.337 cents per kilowatt-hour for the next six-month period. Harris Testimony, p. 4.

11. Staff witness Watts testified that using the currently projected sales and fuel cost data and the projected cumulative over-recovery through March 1995 of \$5,782,988, the average

projected fuel expense is approximately 1.340 cents per kilowatt-hour for the six months ending September 1995. Applying the fuel factor of 1.340 cents per kilowatt-hour would produce an estimated under-recovery of \$10,567 for the next period. The currently approved fuel factor is 1.400 cents per kilowatt-hour. Testimony of Watts, pp. 3-4; Hearing Exhibit No. 5, Electric Department Exhibit 10.

12. During the period under review, none of CP&L's nuclear reactors were down for refueling. The nuclear units operated extremely well during the period under review. No forced outages were experienced by either of the Brunswick Units or by the Harris Unit. A forced outage occurred at Robinson Unit 2 when a manual reactor trip was initiated when all four turbine governor valves closed unexpectedly as the result of a faulty fuse that caused a loss of power to the relay in the circuitry that controls the turbine governor valves. All outages were reviewed by Staff (Hearing Exhibit No. 5, Electric Department Exhibit 2A), and a determination was made by Staff as to the prudence of the outages. Staff determined that there were no Company actions which required CP&L's customers to be subject to incurring higher fuel costs. Therefore, no disallowances of any fuel costs during the review period were recommended. Testimony of Watts, pp. 2-3; Testimony of Sharpe, pp. 2-5.

13. CP&L also proposed a wording change to Rider No. 39N to include generic language in the Rider when referring to the length of time the fuel factor is in effect. According to Company witness Harris, the generic language would require the Company to only have

to file the Rider when the fuel factor changes. This change in the language would allow CP&L to avoid unnecessary printing and distribution costs associated with changing the tariff when there is no change to the fuel factor. Testimony of Harris.

#### CONCLUSIONS OF LAW

1. Pursuant to S.C. Code Ann., §58-27-865(A)(Law. Co-op., Supp. 1993), each electrical utility must submit to the Commission its estimated fuel costs for the next six (6) months. Following an investigation of these estimates and after a public hearing, the Commission directs each electrical utility "to place in effect in its base rate an amount designed to recover, during the succeeding six months, the fuel costs determined by the Commission to be appropriate for that period, adjusted for the over-recovery or under-recovery from the preceding six-month period." Id.

2. S.C. Code Ann., Section 58-27-865(F)(Law. Co-op., Supp. 1993) requires the Commission to allow electrical utilities to recover "all their prudently incurred fuel costs... in a manner that tends to assure public confidence and minimize abrupt changes in charges to consumers."

3. As stated by the Supreme Court in Hamm v. South Carolina Public Service Commission, 291 S.C. 178, 352 S.E.2d 476, 478 (1987), Section 58-27-865(E) requires the Commission "to evaluate the conduct of the utility in making the decisions which resulted in the higher fuel costs. If the utility has acted unreasonably, and higher fuel costs are incurred as a result, the utility should not be permitted to pass along the higher fuel costs to its customers." "[T]he rule does not require the utility to show that

its conduct was free from human error; rather it must show it took reasonable steps to safeguard against error." Id. at 478, citing Virginia Electric and Power Co. v. The Division of Consumer Council, 220 Va. 930, 265 S.E.2d 697 (1980).

4. The Commission recognizes that Section 58-27-865(E) provides it with the authority to consider the electrical utility's reliability of service, its economical generation mix, the generating experience of comparable facilities, and its minimization of the total cost of providing service in determining to disallow the recovery of any fuel costs.

5. After considering the directives of §58-27-865(A) and (F) which require the Commission to place in effect a base fuel cost which allows the Company to recover its fuel costs for the next six months adjusted for the over-recovery or under-recovery from the preceding six month period, in a manner which assures public confidence and minimizes abrupt changes in charges, the Commission has determined that the appropriate base fuel factor for April 1995 through September 1995 is 1.340 cents per kilowatt-hour. The Commission finds that a 1.340 cents per kilowatt-hour fuel component will allow CP&L to recover its projected fuel costs and, at the same time, prevent abrupt changes in charges to CP&L's customers.

6. The Commission concludes that the proposed wording change to the Rider is in the public interest and should be approved. By making the language of the Rider generic concerning the length of time the fuel factor is in effect, CP&L should be able to avoid costs associated with printing and distribution of new Riders when

there is no change to the fuel factor.

IT IS THEREFORE ORDERED THAT:

1. The base fuel factor for the period April 1995 through September 1995 is set at 1.340 cents per kilowatt-hour.

2. Within ten (10) days of receipt of this Order, CP&L shall file with the Commission, rate schedules designed to incorporate the findings herein, and an adjustment for fuel costs as demonstrated by Appendix A.

3. CP&L shall comply with the notice requirements set forth in S.C. Code Ann., §58-27-865(A) (Law. Co-op., Supp. 1993).

4. CP&L shall continue to file the monthly reports as previously required.

5. CP&L shall account monthly to the Commission for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit.

6. CP&L shall submit monthly reports to the Commission of fuel costs and scheduled and unscheduled outages of generating units with a capacity of 100 MW or greater.

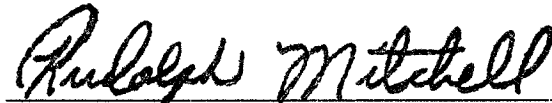
7. CP&L is allowed to change the wording of its Rider to the generic language as proposed with regard to the length of time the fuel factor is in effect.

8. The Commission acknowledges the very good operating performance of CP&L's plants for the review period and commends CP&L for its performance.



9. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
CHAIRMAN

ATTEST:



Executive Director

(SEAL)

CAROLINA POWER & LIGHT COMPANY  
Adjustment for Fuel Costs

APPLICABILITY

This adjustment is applicable to and is a part of the Utility's South Carolina retail electric rate schedules.

The Public Service Commission has determined that the costs of fuel in an amount to the nearest one-thousandth of a cent, as determined by the following formula, will be included in the base rates to the extent determined reasonable and proper by the Commission:

$$F = \frac{E}{S} + \frac{G}{S_1}$$

Where:

F= Fuel cost per Kilowatt-hour included in base rate, rounded to the nearest one-thousandth of a cent.

E= Total projected system fuel costs:

(A) Fuel consumed in the Utility's own plants and the Utility's share of fuel consumed in jointly owned or leased plants. The cost of fossil fuel shall include no items other than those listed in Account 151 of the Commission's Uniform System of Accounts for Public Utilities and Licensees. The cost of nuclear fuel shall be that as shown in Account 518 excluding rental payments on leased nuclear fuel and except that, if Account 518 also contains any expense for fossil fuel which has already been included in the cost of fossil fuel, it shall be deducted from this account.

PLUS

(B) Purchased power fuel costs such as those incurred in unit power and Limited Term power purchases where the fuel costs associated with energy purchased are identifiable and are identified in the billing statement.

PLUS

(C) Interchange power fuel costs such as Short Term, Economy, and other where the energy is purchased on economic dispatch basis.

Energy receipts that do not involve money payments such as Diversity energy and payback of storage energy are not defined as purchased or interchange power relative to this fuel calculation.

MINUS

(D) The cost of fuel recovered through intersystem sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

Energy deliveries that do not involve billing transactions such as Diversity energy and payback of storage are not defined as sales relative to this fuel calculation.

S = Projected system kilowatt-hour sales excluding any intersystem sales.

G = Cumulative difference between jurisdictional fuel revenues billed and fuel expenses at the end of the month preceding the projected period utilized in E and S.

S<sub>1</sub> = Projected jurisdictional kilowatt-hour sales for the period covered by the fuel costs included in E.

The appropriate revenue related tax factor is to be included in these calculations.

The fuel cost (F) as determined by Public Service Commission of South Carolina is 1.340 cents per kilowatt-hour which shall remain in effect until superseded by a subsequent Commission Order.